



Honorary Chairman's Message

Dear Shareholders,

Welcome to our Ordinary General Assembly Meeting where we will evaluate the results of a difficult year and submit them to your approval. Although the crisis broke in the middle of 2008, its effects deepened in early 2009. In the second half of the year, there were signs that the crisis had bottomed out and recovery had begun.

However, the recession has had such a deep and extensive impact that recovery is likely to be slow. Fluctuations in the global economy as well as in the parameters used to evaluate national economies make it impossible to be unreservedly optimistic.

The present crisis differs from earlier ones in some important respects. Strong western economies were seriously affected by the crisis, while developing countries, particularly China and India, were able to rise above this turmoil.

Some of these countries even managed to maintain uninterrupted growth. This signifies that a fundamental change in roles will determine the direction of the world economy in the near future. It is apparent that from now on demand, production and employment will be determined not by the formerly powerful western economies but by the presently developing ones, Turkey included.

Another decisive factor in the years to come will be the dizzying speed of technological developments. We see the influence of these changes in everything from the most complex production procedures to the simplest processes in life. Our Group is taking into account the industrial, economic and social dimensions of these changes when making intermediate and long-term plans.

One of the most important fields of business in the future will be the expansion and diversification of energy resources. Within this framework, in addition to developing conventional energy resources, the creation of renewable energy resources is becoming increasingly important. Renewable energy makes up a very small amount of existing energy resources but, within the next ten years, it is expected to reach as much as 30%. This change is expected to have an impact on many traditional aspects of our lives, ranging from home appliances to the design of motor vehicles. We are continuing to make the necessary efforts in the energy field, which is a core part of the Group's business activities, to adapt to these changes.

The increasing world population, on the one hand, and technological developments, on the other, and the consequential increase in demand for energy have resulted in the rapid consumption of limited natural resources. In the case of water, for example, the inability of agriculture and food technologies to adjust to the pace of change may bring about enormous hardships. However, if countries with relatively abundant and sufficient resources carry out sound economic and social development, proper planning and distribution can occur. Thus, we believe it is crucial to apply technological innovations and to conduct R&D in our food and agriculture companies.

Turkey will have a distinct and advantageous position in this new state of affairs. Sitting astride an intersection of energy routes, Turkey has renewable energy potential, water resources and extensive agricultural potential. Provided correct economic policies are implemented, the country will be able to reinforce its position. Our companies are capable of doing business at world standards at home and abroad. I believe that, together with our entrepreneurial businessmen and trained and disciplined labor force, we can attain a more commanding position on the global economic platform.

While assessing Turkey's position in the light of ongoing international economic and technological developments, we place importance on directing the activities of our Group according to future expectations. We are continually strengthening our financial structure, production technologies and the quality of our human resources to be prepared for the future.

We develop our strategies according to existing and probable economic developments. Our activities are not restricted to Turkey; we produce and market our brands in various parts of the world.

Though Turkey was not shielded from the upheavals occurring in the economies of the world last year, Koç Group again performed successfully. Necessary and timely measures were taken in the financial structure and operational processes of our companies at the first indication of the crisis. By zeroing in on the tiniest details and giving priority to austerity, we achieved an increase in productivity and operational profitability during this difficult period.

Koç Holding rose from 186th to 172nd in the Fortune 500, which is an importance reference in the ranking of large companies in the world. Despite the contraction in domestic and international markets brought on by the crisis, many of our products achieved important increases in market shares. As a result of technological innovation and R&D, our products continued to receive international awards.

Yet, despite these successful results, we tirelessly strive to not only maintain but to reinforce our position as Turkey's leading industrial and financial group.

We are also pledged to continue contributing to corporate social responsibility projects in line with the basic principles of our Group. In the year ahead, the experience, know-how and skills we have acquired over our proud 84-year history and our team of qualified and dedicated employees will be instrumental in our efforts to further strengthen our position.

I sincerely thank our managers, employees, business partners, customers and suppliers for their hard work and valuable contributions and extend my appreciation to our shareholders for their valuable support.

I am confident that 2010 will be a successful year for our country and Koç Group.

Rahmi M. Koç
Honorary Chairman

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